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CORPORATE SOCIAL RESPONSIBILITY IN RELATION TO GLOBAL WARMING ISSUES: AN EXAMPLE FROM WOODSIDE PETROLEUM COMPANY

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This article examines corporate responsibility issues with respect to the environment, greenhouse gas emission and climate change. In addition, it examines corporate environmental disclosure of one of Australian energy companies, Woodside Petroleum. Business practices which require the use of fossil fuel makes corporations are constantly scrutinized, because of their big impacts on the society and environment. To be accountable to the society and to maintain corporate legitimacy, corporations usually publish social and environmental disclosure to disclose corporate social and environmental responsibility actions. As an example, Woodside Petroleum discloses corporate policy and mechanism in its annual report and sustainable development report, to address environmental issues in general and greenhouse gas emission or climate change in particular. It also addresses how the company affects and influences its stakeholders. This shows that corporations are more aware on their impacts on the society and environment, thus designed corporate policy and business practices to meet the society's interests and to be able to compete with competitors that have good social and environmental performance.

Keywords: ***corporate social responsibility, global warming***

INTRODUCTION

Climate change has been one of the most significant issues in the world today. One of the causes of climate change is the accumulation of greenhouse gases that covers and increases the temperature of the atmosphere.In fact, according to Murugesan (2008) electricity is the major cause of the greenhouse gas issue, because it needs to burn coal and oil in order to produce the electricity. Consequently, Murugesan asserts that the consumption of coal and oil releases emissions such as carbon dioxide, sulfur and noxious waste to the atmosphere which are very dangerous for health and the environment. Besides can cause problems in the respiratory system, these emissions can also produce smog and acid rain. All of these problems affect the climate change, increase the global temperature and change the weather patterns. That is why in order to reduce the greenhouse gases the global emission should also be reduced.

This essay reflects on the impact of business activities to the society and environment. In particular, it examines the corporate responsibility in addressing the global warming issues in relation with its contribution to greenhouse gas emission, its effect to the society and environment, and its action to reduce the adversities it caused. Additionally, it will also exclusively examine the environmental disclosure published by one of Australian listed companies, Woodside Petroleum.

CORPORATE RESPONSIBILITY

There is a fact that corporations are receiving more public attention that required them to response to the global warming issues, because they have big impact to the society and environment. Indeed, corporations receive more attention

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if they operate in the environmentally sensitive industries (Cho & Patten, 2007; Patten & Trompeter, 2003), have larger size (Al-Tuwaijiri et al., 2004; Patten, 2002; Prado-Lorenzo et al., 2009), and have good financial performance (Al-Tuwaijiri et al., 2004). This part discusses how corporations contribute to the greenhouse gas emission, how global warming affect the society and environment, and what should be done to reduce the adverse impacts.

Contribution to Greenhouse Gas Emission. Environmental problems have become issues in business environment, because as human activities play a significant role in the increasing amount of greenhouse gases, so do business practices. For instance, the information technology (IT) business has been part of these problems since the process of manufacturing and utilizing the IT products are related to the substantial use of electric power that requires coal and petroleum to be generated (Murugesan, 2008). Additionally, the process of disposing IT hardware also contributes to environmental problem because it contains hazardous materials.

Another industry that received increasing public scrutiny is electric utility industry (Sueyoshi & Goto, 2009). Similar to IT business, this industry is considered as one of the big polluters, particularly in the US. Majority of the firms in this industry have to burn coal in order to generate the electricity. As a result, power generation will release carbon dioxide to the atmosphere and increase the greenhouse gases which caused the global warming.

Agriculture industry is also one of the greenhouse gas emitters. McCarl & Schneider (2000) state that agriculture industry in developed and developing countries contribute differently in greenhouse gas emissions. Indeed, those in developed countries produced greenhouse gas emissions, for example, through the use of fossil fuel energy and emission of nitrous oxide through fertilizing, while those in developing countries contribute through degradation of land and deforestation. Therefore, the industries that significantly emit greenhouse gases should play more active role in reducing or eliminating these emissions in order to prevent a larger impact of global warming.

Effect of Global Warming to Environment and Community. The adverse effect of global warming would negatively impact the corporation itself. According to Hancock (2005), “climate change may pose significant financial risk to greenhouse gas-producing corporations in the future”. Subsequently, Hancock affirms that liabilities that potentially occur concerning global warming should be disclosed by corporations in order to anticipate the pressure towards increasing government regulation and litigation risk as well as to address stakeholders’ apprehension.

On the other hand, the impact of global warming to the natural environment and society is to some extent equally substantial. For instance, it has threatened the marine ecosystem and caused the rise of sea level that may endanger the life of those who live near the coastal areas (Hancock, 2005; Nicholls et al., 2007). Moreover, Preston & Jones (2006) state that regarding the natural ecosystem:

> habitat for some species will expand, contract, and/or shift with the changing climate, resulting in habitat losses or gains, which could prove challenging, particularly for species that are already threatened or endangered (p. 21).

They further assert that the increasing temperature may cause severe consequence to the forests, crops and livestock which are vulnerable to changes in temperature as well as the access of water and food, thus potentially reduce productivity. Additionally, the rise of temperature also critically impacts the water resources, especially in Australia. As a consequence, it affects crops irrigation and increases the risk of drought and fire. As to the society, climate change can cause health problems due to the increase of heat as well as colder temperature during winter. Preston & Jones (2006) also highlight that extreme weather conditions are also factors that contribute to the number of injuries and deaths. Therefore, it is important for corporations to take action in minimizing and to some extent eliminating adverse activities in order to contribute in reducing the effect of global warming.

Action to Reduce Adverse Effect of Global Warming. Responsive to the impact of business sector on global warming, certain standards and regulations have been promoted to increase corporate awareness. IT businesses, for instance, have to consider the government regulations related to their practices, particularly when the U.S. Environmental Protection Agency (EPA) initiated the Energy Star in 1992 as a standard of recognizing energy-efficiency characteristic of electronic equipments (Ruth, 2009). Since then, more standards have been developed for electronic equipments 'green' compliance, such as: EPEAT, an evaluation tool for computers and IT hardware's environmental performance; RoHS (Restriction of Hazardous Substances) Directive, to restrict the usage of hazardous substances in manufacturing electrical and electronic equipment; and Energy Star 4.0 Standard, a regulation for energy performance of personal computers, desktops, and gaming systems (Murugesan, 2008). These standards and regulations obviously contribute to the increasing awareness of reducing the adverse effect of global warming caused by business sector.

Several 'green' initiatives have also been promoted to reduce the adverse effect of global warming. Specifically, in responding to the environmental problems IT sector has been fostered the idea of 'green IT', which according to Murugesan (2008) is:

> a study and practice of designing, manufacturing, using, and disposing of computers, servers, and associated subsystems – such as monitors, printers, storage devices, and networking and communications systems – efficiently and effectively with minimal or no impact on the environment (pp. 25-26).

Green IT considers the implementation of environmental friendly activities from the process of designing, manufacturing, utilizing and disposing an IT product. Generally, 'green IT' can help the company to conserve the environment by designing energy saving equipments that are environmentally safe and have a long life time; conducting a manufacturing process that has the least impact to the environment; using IT equipments and implementing activities that conserve electric power that can minimize the greenhouse gas emissions; and disposing of IT equipments without causing dangerous to the environment.

Another action to reduce the negative impact of global warming is moving towards clean energy initiatives. Today, people are more conscious of using cleaner energy sources such as natural gas, solar or wind energy as the substitute for fossil fuel energy. In particular, the US government have enacted Clean Air Act to reduce air pollution. As a consequence, corporations such as those in the electric utility industry have been motivated to comply with this regulation (Sueyoshi & Goto, 2009). However, it is not easy for a corporation to shift towards cleaner energy, since it is costly to invest in a renewable energy.

In a bigger scale, Kyoto protocol has created motivation for countries in the world to reduce greenhouse gas emissions (Cirman et al., 2009). For instance, to meet the greenhouse gas reduction target Australia has promoted the carbon pollution reduction scheme. Japan, on the other hand, is focusing on developing its nuclear energy because there is no carbon dioxide generated by the power plants. China has also targeted to become the leader among low carbon manufacturer and has set certain target for carbon reduction in 2010. Evidently, people are more aware of global warming impact and thus more willing to participate in reducing greenhouse gas emissions.

DISCLOSURE ANALYSIS OF WOODSIDE PETROLEUM

Considering the impact of global warming and greenhouse gas emissions, corporations today have more incentives to disclose their environmental performance even though it is not mandatorily required by regulations. Deegan (2002) identifies several reasons why an organisation wants to voluntarily disclose its environmental practices for example: complying with regulation; being accountable; complying with borrowing obligation; complying with society expectations; managing influential stakeholders and other reasons. Indeed, corporations use voluntary environmental disclosure as one of their legitimizing strategies (Cho & Patten, 2007). However, Deegan & Rankin (1996) argue that environmental disclosure might not be the sign of transparency as well as accountability of the disclosing companies, because they found that Australian corporations that are being scrutinized by the Environmental Protection Authority (EPA) neglect to disclose the breaches. Similarly, Owen (2007) asserts that voluntary disclosure which is motivated by legitimizing reasons might mislead the stakeholders.

Regardless it is one of legitimizing strategies for the corporation to bind with the expectation of the society, or whether it is based on the intention to not being different with other corporations that have already disclosed their environmental initiatives (Deegan, 2007), the increasing awareness of being environmentally responsible through environmental disclosure is a positive sign for the corporations to contribute in addressing the global warming issues. Woodside Petroleum is one of Australian listed companies which present relatively comprehensive disclosure of its social and environmental activities, not only on the corporate website but also in separate sustainability reports.

Environmental Policy and Mechanism. In relation to environmental policy and mechanism, Woodside Petroleum annual report generally mentioned in the sustainable business principles that “we integrate environmental management into the design, construction and operation of our facilities” (Woodside Petroleum, 2010a, p. 22). The environmental management system is integrated to Woodside Management System (WMS) and it is part of Woodside Petroleum corporate governance framework. The WMS itself is divided into two parts. The first part is the direction where it formulates the overall policies, while the second part is the expectation of standard minimum performance that must be achieved (Woodside Petroleum, 2010d). However, the environmental policy clearly stated that, “we seek to reduce our environmental footprint in line with our production while delivering value to our shareholders” (Woodside Petroleum, 2010b, p. 1). In other words, Woodside Petroleum’s environmental practices are driven by its primary concern to shareholders.

Regarding its particular policy on greenhouse gas emission, Woodside Petroleum articulates the importance of shifting to cleaner energy in the form of using natural gas (Woodside Petroleum, 2010c). It realizes that using natural gas as an alternative energy may contribute in reducing emission to the atmosphere, thus reducing its carbon footprint. Consequently, other related parties such as its joint ventures and contractors, as well as employees are held responsible to the application of this policy. This policy can be considered as more practical than its general environmental policy.

Environmental Activities and Stakeholders’ Interests. Generally, Woodside Petroleum has addressed the concerns of all the stakeholders in its sustainability and development report. However, despite it is responded to several concerns of the stakeholders, it is more focusing on the creation of shareholders’ value. It is because its annual report states that, “for Woodside, sustainability is about delivering shareholder wealth through operating our existing business and developing new business opportunities in an economically, socially and environmentally responsible way" (Woodside Petroleum, 2010a, p. i).

According to O'Dwyer (2005) "a successful stakeholder democracy relies on stakeholders being able to hold organisations to account for decisions impacting on their welfare" (p. 28). He further asserts that corporate accountability can be achieved through the flow of information to stakeholders. In the case of Woodside Petroleum, there is no specific information about how this company managed the issues related to the impact of greenhouse gas emission to its stakeholders in its sustainability report. Moreover, the

Regarding stakeholders' engagement, Woodside Petroleum had listed several activities together with the discussion topics in its sustainability report. Since this corporation use Global Reporting Initiatives (GRI) guidelines as the basis of reporting, it should have followed several requirements related to stakeholders' engagement including to disclose how it identifies and selects the stakeholders and the methods of engagement (GRI, 2011b). However, the report does not disclose detail information about stakeholders' selection process and it appears that the mechanism is not clearly explained. In spite several stakeholders' engagement approaches have been suggested by GRI, Woodside Petroleum only adopt few of them, and suspiciously they may only be a one-way communication between the corporation and its stakeholders. Moreover, there is lack of descriptions regarding groups of stakeholders that are being engaged in the discussions and the issues that are raised by the stakeholders in the engagement process.

Environmental Disclosure. Based on the assessment of corporate environmental disclosure developed by Clarkson et al. (2008), a general analysis of Woodside Petroleum's sustainability development report shows that this corporation disclosed relatively more

specific interests related to its environmental performance are only addressed to several stakeholders such as government, local and indigenous communities, and non-government organisations. In fact, Deegan & Rankin (1997) claim that stakeholders such as shareholders and those who usually examine and oversee corporate activities will be more interested in the environmental information if that information affects their decision making process. In other words, it can be argued that Woodside Petroleum might think that their environmental activities related to global warming and climate change are not relevant to other stakeholders.

'hard' information. 'Hard' information is associated with more specific and quantifiable environmental information, which according to Clarkson et al. (2008) is a sign of superiority in environmental performance. Besides the corporation discloses more of its policy, overviews of its impact to the environment and its initiatives in relation to environmental activities, it also provides some quantifiable information such as its key performance indicators. However they are not explicitly disclosed in the form of lists or tables that can easily be examined. Moreover, it should be noted that the information about corporate environmental performance indicators are not as comprehensive as what being assessed in Clarkson et al. (2008) and are not easy to obtain since they have been disclosed in several parts of either the sustainability report or the annual report.

Woodside Petroleum also provides information about its activities related to greenhouse gas emission and climate change. In fact, it states the commitment to reduce greenhouse gas emissions through the use of natural gas. Moreover, the report highlights several assessments that have been undertaken to its several facilities in supporting the corporate energy efficiency initiatives. Woodside Petroleum has also applied the guidelines provided by Global Reporting Initiative to the sustainability disclosure, with the compliance level of B+ (Woodside Petroleum, 2010d). This means that besides the corporation is self-declared its sustainability report and the report is being checked by an external party as well as GRI, the report is also assured by external auditor (GRI, 2011a). It also published the greenhouse gas emissions under the requirement of Australian government through National Greenhouse and Energy Reporting (NGER). However, concerning this information, it has the highest energy consumption and its greenhouse gas emissions, especially under scope 1 which is direct emissions generated by the corporation, are relatively higher than its competitors such as Origin Energy and Santos (DCCEE, 2010).

Regarding the usefulness of the disclosed information, it requires more efforts in order to gather particular information for assessing performance of this corporation. Despite it disclosed relatively thorough information, stakeholders need to attentively browse the corporate website, annual reports and sustainability report in order to obtain comprehensive information concerning Woodside Petroleum environmental performance. Accordingly, it is relatively difficult to compare its past and current performance. However, Freedman & Jaggi (2010) argue that the greenhouse gas disclosure may not reflect the true performance of the corporations. In fact, they found that although a corporation has better emissions performance, it may not have better disclosure since this kind of disclosure is not mandatorily regulated. Therefore, it might not be accurate to evaluate a corporation’s environmental performance only through its sustainability disclosure.

CONCLUSION

The issues related to global warming cannot be separated from corporate activities. It is because these activities to some extent contribute to the greenhouse gas emissions that affect the global warming. The impact of corporate activities is not only to the corporation itself, but also to the environment and society. Hence, corporations should be held accountable to the stakeholders regarding their environmental practices.

In regards with corporate environmental disclosure, it can serve as a legitimizing strategy for a corporation to address public attention to its environmental activities. However, since this kind of disclosure is not regulated, corporations have discretion of what kind of information they want to disclose. Thus, it would be difficult to compare between one corporation to the others. Even so, it is a positive signal that corporations are being accountable to the stakeholders, irrespective of their underlying motivation.

The awareness of global warming impact to the environment and society should be improved through certain initiatives. Corporations should consider these issues as the strategy to improve their competitive advantage and to genuinely be concerned of the environmental problems. It is because sooner or later, as people become more aware, there would be pressure to increase regulation, potential litigation risk and intensified stakeholders concerns. Therefore, corporations should be more attentive to these issues if they want to maintain their legitimacy and stay in the business. At last, the main concept of sustainability that future generations would also be benefit from this world must be upheld.

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